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Nigeria

Cocoa

Annual

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Report Highlights:

The prevailing record high price of cocoa is encouraging Nigerian farmers to rehabilitate old, abandoned farms. Farmers' access to subsidized seedlings and agrochemicals has improved considerably and is likely increase productivity. In January 2003, the GON approved a 40 percent Export Grant to exporters of cocoa products to encourage local processing. Local cocoa processors are however, having difficulty procuring cocoa beans because of the narrow margin between farm-gate prices and international prices.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Table of Contents

Executive Summary	1
Cocoa	2
PSD Table : Cocoa Beans	2
Production	2
Crop Quality	3
Price	3
Consumption	3
Trade	4

Executive Summary

Nigeria's cocoa production in 2003/04 is forecast to increase to 180,000 MT, up from 160,000 MT this year. The decline in output in 2002/03 is due largely to unfavorable weather conditions. The record high cocoa price level this year is encouraging Nigerian farmers to rehabilitate abandoned farms. Growers' returns have increased following the sharp rise in world price levels for cocoa, caused by the Ivorian crisis. Nigerian grower prices increased from a low of 90,000 Naira per MT in September 2001 to 300,000 Naira per MT in February 2003. Industry sources indicate a marked improvement in the utilization of agrochemicals by cocoa farmers due largely to increased availability of these products. The National Cocoa Development Committee, which was established by President Obasanjo in 2000, is involved in supplying agrochemical and cocoa seedlings to farmers at subsidized rates. Domestic consumption of cocoa, largely powder, is forecast to rise by about ten percent in step with rising consumer demand for cocoa beverages.

Exchange Rate : US\$1 = 130 Naira

Cocoa

PSD Table : Cocoa Beans

PSD Table						
Country	Nigeria					
Commodity	Cocoa Beans				(1000 HA)(MILLION TREES)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	0	430	0	430	0	430
Area Harvested	0	416	0	418	0	420
Bearing Trees	0	402000	0	403000	0	405000
Non-Bearing Trees	0	38000	0	39000	0	40000
TOTAL Tree Population	0	440000	0	442000	0	445000
Beginning Stocks	0	6529	0	6500	0	6500
Main Production	0	140000	0	100000	0	130000
Mid & Other Production	0	40000	0	60000	0	50000
TOTAL Production	0	180000	0	160000	0	180000
Bean Imports	0	0	0	0	0	0
Liquor & Paste Imports	0	0	0	0	0	0
Butter Imports	0	0	0	0	0	0
Powder,Cake,Choc. Imp.	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	186529	0	166500	0	186500
Bean Exports	0	140000	0	125000	0	135000
Liquor & Paste Exports	0	10000	0	8000	0	11000
Butter Exports	0	12000	0	9000	0	14000
Powder,Cake,Choc. Exp.	0	2029	0	2000	0	3200
TOTAL Exports	0	164029	0	144000	0	163200
Domestic Consumption	0	16000	0	16000	0	16800
Ending Stocks	0	6500	0	6500	0	6500
TOTAL DISTRIBUTION	0	186529	0	166500	0	186500

Production

Nigeria's cocoa production in 2003/04 is forecast at 180,000 MT, up from 160,000 MT this year. The increase is predicated on anticipated favorable weather conditions in the cocoa belt and record high farm gate prices. In response to the prevailing record high grower prices, farmers have reportedly increased demand for agrochemicals. Improved utilization of these chemicals is expected to increase crop yield and output levels in 2003/04. However, to increase production on the long-run, farmers will have to cut down overaged trees and

replant their fields with improved cocoa varieties.

The Government of Nigeria (GON) established a Cocoa Development Committee (CDC) in 2000, with the aim of revamping Nigeria's cocoa sector. The committee is chaired by the Minister of Agriculture, with the Deputy Governors of the 13 cocoa producing states as members. Through the committee, the GON provides cocoa producing states matching grants to raise hybrid, disease-resistant, high yielding and early maturing seedlings for distribution to farmers at subsidized prices. However, replanting efforts continue to be hindered by farmers concern for temporary loss of income.

Area planted in 2003/04 is forecast at 430,000 hectares, unchanged from last season. The bulk of seedlings raised and sold to farmers goes for replanting overaged cocoa fields. The non availability of virgin land is a major factor preventing total cocoa area from expanding. Area harvested will increase slightly reflecting modest achievements in rehabilitating old cocoa fields and improved access to agrochemicals. Improved utilization of chemicals against black pod and capsid attacks, minimizes infestation and improves yield levels.

Crop Quality

The quality of Nigeria's cocoa is far below what it was in the early 1980's and that offered by other West African exporting countries. Most of the industry's quality control mechanisms were severely compromised following the dissolution of the Cocoa Board in 1986. At present, there is no effective quality control mechanism in place. Given the high prices prevailing in the export markets, farmers and local buying agents are neglecting quality parameters such as, proper drying, fermentation and grading of cocoa. Nigerian cocoa is regarded as low quality and often attracts discount pricing on the terminal market.

Price

Cocoa production and trade in Nigeria are completely liberalized. Grower prices are determined by movements in the international price of cocoa and fluctuations in the exchange rate of the naira. Record high international price of cocoa triggered an upward spiral in grower prices from 90,000 naira per MT September 2001 to a record high level of 300,000 naira per MT in February 2003.

Consumption

The bulk of Nigeria's cocoa output is exported either in bean form or in processed form. Cocoa beans are processed locally into butter, liquor, powder and cake. Virtually, all cocoa butter, liquor and cake produced in Nigeria are exported. Domestic consumption of cocoa products consists almost exclusively of cocoa powder used as raw material by local beverage manufacturers. Domestic demand for cocoa powder is trending upwards, thanks to a growing consumer demand for cocoa-based products. There are 17 processing facilities in Nigeria with a combined annual processing capacity of 220,000 MT of cocoa beans. At present, only four are operating.

In January 2002, the GON approved an Export Grant of 40 percent of the FOB value for cocoa butter and products and only 5 percent for cocoa beans. Despite the high Export Grant on processed cocoa exports, processing volume in 2002/03 is constant at 35,000 MT from a year ago. Industry sources attribute the low processing output to processors' inability to compete with exporters for available cocoa beans. Cocoa farmers in Nigeria receive close to 80 percent of world market prices, which is the highest average return to growers in the region. The relatively high grower prices have a negative impact on Nigeria's cocoa processing profitability. Local processors also enjoy Export Processing Factory status. This exempts them from payment of all taxes and other levies imposed by federal, state and local governments.

Trade

Post forecasts Nigeria cocoa beans' exports at 140,000 MT, up from 125,000 NT this year. An estimated 19,000 MT (bean equivalent) was processed locally and exported as cocoa butter, cake and liquor, while 16,000 MT was consumed locally in 2002/03.

Cocoa merchants usually consolidate their purchases from local buying agents before delivering beans to state government produce inspection services for grading. Graded cocoa is later sold to exporters and processors. Most Nigerian cocoa is exported to Europe, with Belgium, the U.K., Germany, and the Netherlands being the largest export destinations.

Price Table : Cocoa Beans

Prices Table			
Country	Nigeria		
Commodity	Cocoa Beans		
Prices in	Naira	per uom	Ton
Year	2001	2002	% Change
Jan	100,000	125,000	25.00%
Feb	110,000	130,000	18.18%
Mar	110,000	140,000	27.27%
Apr	115,000	150,000	30.43%
May	120,000	150,000	25.00%
Jun	100,000	160,000	60.00%
Jul	85,000	180,000	111.76%
Aug	95,000	250,000	163.16%
Sep	90,000	270,000	200.00%
Oct	90,000	280,000	211.11%
Nov	95,000	300,000	215.79%
Dec	100,000	300,000	200.00%
Exchange Rate	130/1	Local currency/US \$	